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November 3, 1995

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EX PARTE LETTER

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20054

Re: End User Common Line Charges; CC Docket No. 95-72

Dear Mr. Caton:

On behalf of America Online Incorporated, CompuServe Incorporated, and GE Information Services, Inc. ("Joint Parties"), this letter responds to the Commission's invitation to comment on data submitted by some of the Bell Operating Companies ("BOCs") in the above-referenced proceeding. In a Public Notice released October 2, 1995, the Commission announced that it had asked the BOCs to submit data concerning the non-traffic sensitive ("NTS") costs associated with the provision of single and derived channel services and invited public comment on the data.

At present, it appears that some of the BOCs have yet to file the data requested by the Commission. Other BOCs have filed the requested data but have asked that some or all of the data be withheld from public inspection. This letter, therefore, is based on a review of the responses submitted by US West, Bell Atlantic, Pacific Bell, and Ameritech only.

At issue in this proceeding is how Subscriber Line Charges ("SLCs") should be assessed for services like Integrated Services Digital Network ("ISDN") that enable the derivation of multiple voice-grade equivalent channels from a single telephone line or other communications facility. One option identified by the Commission for assessing SLCs, which the Joint Parties strongly supported in their comments and reply comments, is referred to as the per facility approach. This approach would require users of derived channel services to pay one SLC for each physical facility, whether the facility is an ordinary telephone line or another type of communications facility, through which the services are provided. Another option suggested by the Commission would be to impose SLCs based on a ratio of the average cost of providing derived channel services to the average cost of providing single channel services. Apparently, the

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Mr. William F. Caton  
November 3, 1995  
Page 2

Commission believes the requested cost data could be used in connection with the calculation of such ratios if it were inclined to adopt this approach.

The Joint Parties do not believe cost ratios should be used to determine the number of SLCs to be assessed for derived channel services. The current assessment of single-line and multi-line SLCs and the relative amount of NTS common line costs to be recovered through SLCs and Carrier Common Line charges were set at arbitrary levels by the Commission and presently are not closely related to the actual economic cost of providing any particular service. For example, even the interstate jurisdictional loop costs to be recovered by the SLC and the Carrier Common Line charge is an arbitrary amount set at 25 percent of the total unseparated loop costs. The percentage of calls that are interstate is much less than 25 percent. For this reason, developing cost ratios only for derived channel services would not result in a rational, cost-based method of recovering the NTS common line costs associated with ISDN or other derived channel services, and the Joint Parties, as they did in their comments and reply comments, urge the Commission to reject this approach and adopt a per facility approach.

However, even if the Commission were to use some variant of the cost ratio approach, the ratios should be calculated using NTS common line costs only. A significant amount of the NTS costs associated with the provision of ISDN that were identified by the BOCs, such as the cost of ISDN line cards and associated central office switching equipment, are switching costs and not common line costs. As the Joint Parties explained in their reply comments at page four, the SLC is intended to recover a portion of NTS common line costs, and recovery of non-common line costs should not be considered when determining the number of SLCs to be assessed derived channel services.

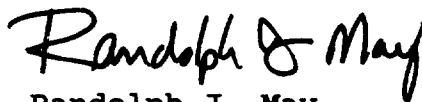
Even if used in connection with the development of cost ratios, the data submitted by the BOCs could not support application of more than one SLC to Basic Rate Interface ISDN. With regard to the BOCs' data concerning Primary Rate Interface ("PRI") ISDN, once the non-common line costs identified by the BOCs are excluded, the difference, if any, between the claimed cost of providing PRI ISDN and single channel services is not large and principally is attributable to the fact that PRI ISDN is provided using two twisted copper pairs rather than the one twisted copper pair employed in the provision of single channel services. Thus, if the Commission were to adopt some form of cost ratio approach, at the very most, this would seem to warrant application of two SLCs to PRI ISDN, one for each twisted copper pair.

Mr. William F. Caton  
November 3, 1995  
Page 3

As the Joint Parties explained in their comments at pages 6-8 and reply comments at pages 2-3, widespread deployment and use of ISDN, including PRI ISDN, is critical to the development of the National Information Infrastructure and to the ability of residential and business consumers to access and utilize advanced information services in their homes and businesses. Consumers presently are very sensitive to the price of information service offerings. Therefore, in order to avoid inhibiting the deployment and use of PRI ISDN, if the Commission were inclined to impose any charge greater than one SLC on PRI ISDN, it should be careful to impose only a very minimal additional charge.

Please feel free to contact the undersigned with any questions.

Sincerely,

A handwritten signature in black ink that reads "Randolph J. May". The signature is written in a cursive, flowing style.

Randolph J. May

cc: Ms. Kathleen M.H. Wallman, Chief, Common Carrier Bureau

Policy and Program Planning Division

Mr. James D. Schlichting, Chief

Ms. Claudia R. Pabo

Ms. Lisa Gelb